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Message Text

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PAGE 01 OECD P 03338 01 OF 02 071406Z

43
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-03 INR-07 IO-10 NEA-09 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

AEC-05 DODE-00 FEAE-00 FPC-01 H-01 INT-05 L-02 NSC-05

PM-03 SAM-01 OES-03 SS-15 STR-01 PA-01 PRS-01 USIA-06

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R 071357Z FEB 75
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 5320

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E.O. 11652: N/A
TAGS: ENRG, OECD
SUBJECT: SUMMARY OF REMARKS BY ASST. SECRETARY ENDERS TO IEA GOVERNING BOARD FEB 6

FOLLOWING IS SUMMARY OF REMARKS BY ASSISTANT SECRETARY ENDERS TO IEA GOVERNING BOARD, FEB. 6:

1. YESTERDAY I DISCUSSED ONE TIER OF THE THREE-TIERED APPROACH DESCRIBED IN SECRETARY KISSINGER'S SPEECH AND IN PARTICULAR THE BALANCE TO BE STRUCK BETWEEN THOSE COUNTRIES WITH SUBSTANTIAL ENERGY RESOURCES AND THOSE WHOSE OWN POSSIBILITIES ARE LIMITED LARGELY TO NUCLEAR POWER. I WOULD LIKE NOW TO DISCUSS THE OTHER TWO TIERS.
2. THE SECOND TIER INVOLVES THOSE FORMS OF ENERGY THAT WILL REQUIRE HIGHER LEVELS OF INVESTMENT AND PARTICULAR INCENTIVES TO REALIZE. WE HAVE IN MIND PARTICULARLY THE SYNTHETIC FUELS, FROM SHALE OIL TO TAR SANDS, FOR
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PAGE 02 OECD P 03338 01 OF 02 071406Z

INSTANCE, AND INCLUDING COAL GASIFICATION AND LIQUE-

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

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FACTION. WE WOULD INCLUDE CONVENTIONAL OIL AND NATURAL GAS THAT WOULD NOT OTHERWISE BE DEVELOPED AND POSSIBLY COAL MINING IN AREAS THAT WOULD NOT OTHERWISE BE EXPLOITED.

3. FOR THIS TIER, WE PROPOSE A PARTICULARLY FLEXIBLE APPROACH. EACH COUNTRY WOULD ESTABLISH ITS OWN NATIONAL USE OF DEVICES SUCH AS DEFICIENCY PAYMENTS, SUBSIDIES AND TAX ADVANTAGES. THE MEMBERS OF INTER-NATIONAL CONSORTIA TO BE FORMED TO SPUR DEVELOPMENT OF PROJECTS IN THIS SPHERE WOULD AGREE THAT THEY WOULD BE GUIDED BY THE PRINCIPLE OF NATIONAL TREATMENT. THAT IS, TERMS AND CONDITIONS ON ON WHICH OTHER IEA MEMBERS COULD PARTICIPATE IN DEVELOPMENT OF SUCH PRODUCTION WOULD, WHEREVER POSSIBLE, BE THE SAME AS THOSE FOR NATIONAL PARTICIPANTS. ACCESS TO CAPITAL, RESOURCES AND USE WOULD BE ON THIS BASIS OF NATIONAL TREATMENT AND THE BENEFITS TO EACH PARTICIPANT WOULD BE PROPORTIONATE TO THE CONTRIBUTIONS IN THE FORM OF CAPITAL AND TECHNOLOGY BROUGHT TO THE PROJECT.

4. PROJECTS WOULD BE OPEN NOT ONLY TO GOVERNMENTS BUT ALSO TO PRIVATE ENTERPRISES IN OTHER CONSORTIUM MEMBER COUNTRIES. THE CONSORTIUM ITSELF WOULD BE ESSENTIALLY A BROKER WITH A STAFF TO FACILITATE CONTRACTS BETWEEN MEMBERS FOR BACKING SPECIFIC PROJECTS, APPLYING THE PRINCIPLE OF NATIONAL TREATMENT WHICH, WITH OTHER GOVERNING PRINCIPLES, WOULD BE SET OUT IN AN UMBRELLA CONSORTIUM AGREEMENT. WE WOULD NOT ENVISAGE THAT THE CONSORTIUM WOULD ITSELF INVEST IN OR MANAGE PROJECTS, ALTHOUGH WE WOULD NOT EXCLUDE SUCH A POSSIBIL-ITY EITHER. THERE MIGHT PERHAPS BE A ROLE FOR GUARANTY OR INSURANCE OF CERTAIN PROJECTS ON AN IEA-WIDE BASIS.

5. FOR THE THIRD TIER, WE PROPOSE A SIMILAR APPROACH FOR RESEARCH AND DEVELOPMENT ON FORMS OF ENERGY THAT ARE NOT YET AT A STAGE APPROACHING EXPLOITATION. IN THIS CASE, TOO, THE CONSORTIUM WOULD BE THE LEADER AND

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THE BROKER FOR WHAT WE HOPE WILL BECOME VERY LARGE-SCALE PROJECTS.

6. AS IN THE CASE OF THE SECOND TIER, WE WOULD BE GUIDED BY THE PRINCIPLE OF NATIONAL TREATMENT. ALSO, AS IN THE SECOND TIER, WE WOULD THINK THAT THE UNITARY MANAGEMENT PRINCIPLE SHOULD BE OBSERVED TO THE MAXIMUM EXTENT POSSIBLE. THE AGENCY WOULD IDENTIFY PRIORITIES AND MAKE SURE THAT THE GREAT RESOURCES WITHIN THE IEA AREA ARE DEVELOPED EFFECTIVELY.

7. THIS THIRD TIER PROPOSAL GOES CONSIDERABLY FURTHER THAN OUR PRESENT COMMITMENTS, WHICH ARE ESSENTIALLY LIMITED TO INFORMATION EXCHANGE. WE WOULD NOT EXCLUDE LARGE-SCALE MULTILATERAL PROJECTS, BUT OUR EXPERIENCE HAS SHOWN THAT SUCH PROJECTS TEND TO BE SUBOPTIMAL. THE CONSORTIUM WOULD, HOWEVER, BE A BASIS FOR A FULL ACCESS
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PAGE 02 OECD P 03338 02 OF 02 071410Z

OF MEMBERS TO INFORMATION DEVELOPED IN PROJECTS IN WHICH THEY WERE PARTICIPANTS.

8. MY DELEGATION IS PREPARED TO DEVELOP THESE IDEAS AND WILL WELCOME THE SUGGESTIONS OF OTHER DELEGATIONS. WE EXPECT THAT WE SHALL WITHIN THE NEXT TEN YEARS, BY MEANS OF THIS KIND OF APPROACH, BE ABLE TO GO FAR BEYOND WHAT WE CAN SEE TODAY IN TERMS OF THE POSSIBILITIES FOR DEVELOPMENT OF ENERGY RESOURCES.

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9. I WOULD LIKE TO STRESS THAT THE THREE TIERS SHOULD BE VIEWED AS AN ENSEMBLE, NOT ONLY PRESENTATIONALLY, BUT ALSO ANALYTICALLY. THERE IS A CLOSE AND IMPORTANT RELATIONSHIP BETWEEN THE PROTECTION MECHANISM OF THE FIRST TIER AND THE POSSIBILITIES FOR PROGRESS IN THE SECOND TIER, THE SYNTHETIC FUELS CONSORTIUM. LIKEWISE, THE SUPPORT GIVEN TO MORE DISTANT ENERGY POSSIBILITIES THROUGH THE RESEARCH AND DEVELOPMENT OF CONSORTIUM SHOULD PROVIDE NEW PRACTICAL POSSIBILITIES OF APPLIED ENERGY DEVELOPMENT AND PRODUCTION ON WHICH THE MECHANISM OF THE SECOND TIER CAN FEED.
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